

# KENTUCKY ECONOMIC INDICATORS

January 2005 Indicators as of March 23, 2005

## **KY Composite Index of Leading Indicators increased 1.4 percent for January.**

- The Leading Index increased for the fourth consecutive month.
- The Leading Index rose by 1.3 percent over the same month last year.
- Component indicators leaned positive, gainers over losers 3:2.
  - + KY Labor Intensity Index increased 3.6 percent.
  - The US Leading Index decreased 3.1 percent.
  - The Index of KY Initial UI Claims decreased 3.1 percent.
  - + US Retail Sales increased 3.7 percent.
  - + The Louisville Help Wanted Index increased by 1 point to 42.

*Component weights for January are 49.93, 23.42, 14.65, 10.31 and 1.68 respectively.*

## **KY Composite Index of Coincident Indicators decreased 8.4 percent for January.**

- The Coincident Index was negative for the first time in four months.
- Same-month-last-year growth is positive for the eighteenth consecutive month at 2.5 percent.
- Component indicators were strongly positive, gainers over losers 2:1.
  - + KY Total Nonagricultural Employment increased 2.4 percent.
  - + US Industrial Production Index increased 1.4 percent.
  - US Personal Income Less Transfers decreased 31.1 percent.

*Component weights for January are 32.55, 29.83 and 26.76 respectively. Component weights do not sum to one because the two US components were discounted to allow the Kentucky component more weight.*

Three of the five Kentucky Leading Index components changed directions this month. The component changes were particularly large in magnitude as well. US Retail Sales, which was strongly positive for December, increased by a solid 3.7 percent for January. The US Leading Index rose 3.2 percent in December and then fell 3.1 percent placing it back to almost exactly where it was in November 2004. The Index of Kentucky Initial UI Claims increased 8.2 percent for December and fell 3.1 percent for January, which still leaves the Index higher than it was in November.

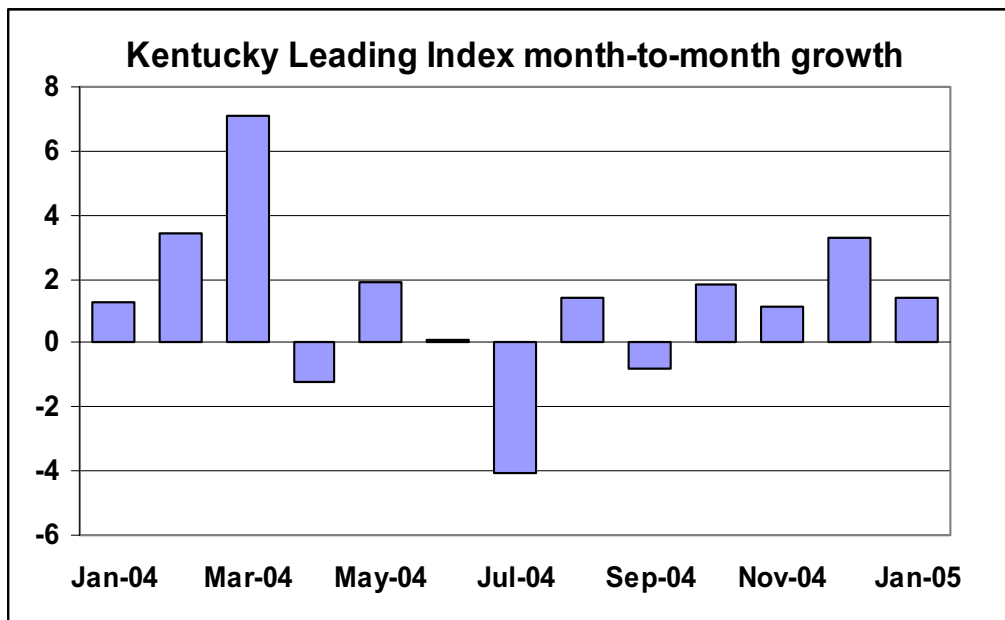
The Louisville Help Wanted Index has been hovering around 41 points for the last five months. Historically, 41 is very low. Only twice in the 47-year history of the Index has the series fallen below 41. Both events occurred near the beginning of the series. The first time was in May of 1958 when it reached its all time low of 33. Then a short time later in October of 1960 the Index dipped to 35. Both slowdowns were short-lived and were followed by two years of strong growth.

The Kentucky Labor Intensity Index went from +0.7 percent for December (revised from -1.6 percent) to +3.6 percent for January, bringing the Index to 105.6 for January. The Kentucky Labor Intensity Index change from December to January is complex to interpret for two reasons. First, the Bureau of Labor Statistics recently completed their benchmarking for all employment data. Benchmarking is an annual process of replacing regionally-apportioned national survey data with more reliable regional survey data. While all the survey data is current, the benchmarking process is done once per year and is usually completed in February or March. Second, the Local Area Unemployment Statistics Program Redesign impacts were also taken into account during this benchmarking. The redesign includes the following factors: improved time-series models, benchmarking to the national Current Population Survey, accommodation for six new metropolitan areas (MSAs) and inclusion of 2000 Census inputs.

The 2004 benchmarking and redesign resulted in significant upward revisions to Nonagricultural Employment and Manufacturing Employment. Total Kentucky Nonagricultural employment was revised upwards by 2,500 jobs for December 2004 and total Kentucky Manufacturing Employment was revised upwards by 2,200 jobs. Revisions at the 5-digit NAICS level were significant for all five of the Kentucky Labor Intensity Index components. Upward revisions ranging from 0.5 percent to 9.4 percent were made in four of the five components. Only Transportation Equipment contained a downward revision, a decline of 2,600 jobs, or 4.4 percent of the total for December 2004. After the benchmarking is taken into account, three of the five manufacturing sectors were marginally positive, one was constant and one declined marginally.

The decline in US Personal Income in January is mainly due to the extraordinary December value. December's large value is primarily due to the payment of a special dividend by Microsoft Corporation. If the dividend payment were removed, then the December growth would have been 0.5 percent and January growth would have been 0.6 percent.

Our indices are compiled and published on a monthly basis, roughly two weeks following the Conference Board release of the U.S. Leading Index. A complete description of the Index of Leading Indicators and methodology was published in the University of Kentucky Center for Business and Economic Research *Kentucky Annual Economic Report, 2000*.



### About the Indicators

#### **Kentucky Reference Series**

Inflation-adjusted personal income less transfer payments and policy-adjusted general fund tax receipts are combined to form the GOEA composite reference series.

#### **Kentucky Leading Indicators**

- **GOEA Labor Intensity Index:** Composed of seasonally adjusted weekly hours multiplied by employment for the following manufacturing industries: Lumber products, chemical and allied products, rubber and plastic products, fabricated metals, and transportation equipment.
- **GOEA Initial Unemployment Insurance (UI) Claims Index:** This index has two components: Kentucky UI claims in their first month of payment and total U.S. initial claims. Additional claims for UI are the subset of initial claims filed by workers who have previously filed UI claims but are currently filing new claims with intermittent workforce attachment since their original claim. The claims in their first month of payment without intermittent qualified experience performed better in the testing process and were chosen accordingly.
- **Louisville Help-wanted Index:** The Conference Board computes an index of help-wanted advertisements for major regions across the United States; Louisville is the only city in Kentucky covered by the Conference Board.
- **U.S. Manufacturing and Trade Sales:** This series outperformed Kentucky sales tax receipts and U.S. total retail sales. Current manufacturing and trade sales help form the basis for business expectations for the immediate short run. Since production and investment do not occur instantaneously, the formation of expectations (manifested through current manufacturing and trade sales) should slightly lead the business cycle.
- **GOEA U.S. Leading Index:** We eliminated two variables, UI Claims and weekly hours, from the U.S. leading index since we already use the Kentucky equivalents. The remaining eight components of the U.S. leading index were tested, eliminating both the interest rate spread and the slower deliveries diffusion index of vendor performance. The remaining six components were then re-indexed by GOEA.

#### **Table Notes:**

- 1) Growth rates are computed with precise numbers. Due to rounding, two observations may have the same reported value but still exhibit growth at a more precise level.
- 2) More information is available on our website, [www.osbd.ky.gov](http://www.osbd.ky.gov)

Office of State Budget Director

Room 284, Capitol Annex  
Phone: 502-564-7300 - [taj@mail.state.ky.gov](mailto:taj@mail.state.ky.gov)

Frankfort, Kentucky 40601-3453

**SELECTED KENTUCKY ECONOMIC INDICATORS  
SEASONALLY ADJUSTED**

	2004												2005	
	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN	
KY Leading Index (1992=100)	112.4	112.7	113.4	113.3	113.5	113.5	113.1	113.2	113.1	113.3	113.4	113.7	113.8	
% Chg Previous Month SAAR	1.3	3.5	7.1	-1.2	1.9	0.1	-4.1	1.4	-0.8	1.9	1.1	3.3	1.4	
% Chg Same Month Last Year	1.5	1.9	2.8	2.9	2.9	2.6	1.7	1.6	0.9	1.4	1.2	1.3	1.3	
KY Coincident Index (1992=100)	129.2	129.7	129.6	130.1	130.4	130.3	130.7	130.9	130.8	131.4	131.6	133.4	132.4	
% Chg Previous Month SAAR	0.4	4.5	-0.2	4.5	2.6	-0.8	3.4	2.3	-1.0	5.8	1.3	18.0	-8.4	
% Chg Same Month Last Year	1.5	1.9	2.0	2.6	2.6	2.4	2.5	2.6	2.2	2.4	2.1	3.3	2.5	
KY Nonag Employment (000s)	1,790.2	1,790.7	1,792.7	1,796.4	1,793.6	1,796.5	1,789.7	1,796.7	1,798.6	1,801.0	1,800.7	1,802.7	1,806.3	
% Chg Previous Month SAAR	-0.4	0.3	1.3	2.5	-1.9	2.0	-4.4	4.8	1.3	1.6	-0.2	1.3	2.4	
% Chg Same Month Last Year	0.3	0.6	0.6	1.0	0.7	1.0	0.7	0.8	0.8	0.8	0.8	0.7	0.9	
KY Mfg Employment (000s)	264.7	264.5	264.3	264.2	264.5	264.2	258.2	264.6	264.4	265.5	264.7	264.2	265.1	
% Chg Previous Month SAAR	-0.5	-0.9	-0.9	-0.5	1.4	-1.4	-24.1	34.2	-0.9	5.1	-3.6	-2.2	4.2	
% Chg Same Month Last Year	-1.5	-1.4	-0.9	-0.4	-0.2	-0.1	-2.4	0.1	0.0	0.5	0.2	-0.2	0.2	
KY Unemployment Rate (%)	5.7	5.5	5.6	5.7	5.7	5.7	5.6	5.7	5.8	5.7	5.9	6.0	6.0	
KY Index of Initial UI Claims	101.8	101.4	102.4	102.3	102.4	102.7	101.7	102.0	102.4	102.8	102.4	103.0	102.8	
% Chg Previous Month SAAR	5.8	-4.4	12.3	-1.2	1.6	3.0	-11.2	3.6	5.1	5.4	-5.4	8.2	-3.1	
% Chg Same Month Last Year	1.8	1.7	3.5	3.6	3.2	3.4	1.8	1.7	2.3	1.9	1.1	1.7	1.0	
KY Labor Intensity Ind. (1992=100)	104.6	104.8	104.8	105.1	105.1	105.0	104.9	105.1	105.1	105.2	105.3	105.3	105.6	
% Chg Previous Month SAAR	1.8	1.9	0.4	3.2	-0.1	-0.8	-1.6	2.2	0.9	0.1	1.1	0.7	3.6	
% Chg Same Month Last Year	-0.1	0.3	0.9	1.1	1.0	1.0	0.6	0.7	0.7	0.7	0.7	0.8	1.0	
Louisville HWI (1992=100)	50.0	55.0	56.0	51.0	48.0	51.0	45.0	47.0	40.0	41.0	42.0	41.0	42.0	
% Chg Previous Month SAAR	-79.2	213.8	24.1	-67.4	-51.7	107.0	-77.7	68.5	-85.6	34.5	33.5	-25.1	33.5	
% Chg Same Month Last Year	-9.1	-8.3	-3.4	2.0	2.1	4.1	-10.0	0.0	-45.2	-18.0	-14.3	-28.1	-16.0	
GF Total Tax Receipts (\$ mil)	583.1	462.6	509.3	721.1	479.5	633.7	519.1	513.4	655.0	563.6	587.9	709.7	659.6	
% Chg Same Month Last Year	-8.2	10.2	16.3	3.5	15.1	2.6	10.2	11.7	4.1	6.3	10.7	5.0	13.1	
GF Sales & Use Receipts (\$ mil)	249.5	164.0	185.0	217.5	205.6	199.7	226.1	211.7	206.6	224.0	201.1	217.7	271.4	
% Chg Same Month Last Year	6.9	8.9	11.7	8.9	8.1	4.2	8.6	7.3	3.1	5.0	1.0	4.7	8.8	
GF Income Tax Receipts (\$ mil)	207.2	217.3	142.0	366.6	189.6	270.2	224.2	245.2	272.2	249.9	230.2	259.0	252.6	
% Chg Same Month Last Year	-28.8	6.1	21.4	3.4	19.8	0.8	8.5	9.4	-0.3	9.5	2.8	4.6	21.9	

**SELECTED U.S. ECONOMIC INDICATORS  
SEASONALLY ADJUSTED**

	2004												2005	
	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN	
US Leading Index (1982=100)	114.7	114.8	115.7	115.8	116.3	116.2	116.0	115.7	115.4	115.1	115.5	115.8	115.5	
% Chg Previous Month SAAR	4.3	1.1	9.8	1.0	5.3	-1.0	-2.0	-3.1	-3.1	-3.1	4.3	3.2	-3.1	
% Chg Same Month Last Year	3.4	3.9	4.7	4.6	4.2	3.8	2.9	2.3	1.9	1.2	1.3	1.3	0.7	
US Coincident Index (1992=100)	115.8	116.1	116.6	116.9	117.2	117.2	117.5	117.7	117.7	118.2	118.3	119.8	119.1	
% Chg Previous Month SAAR	1.0	3.2	5.3	3.1	3.1	0.0	3.1	2.1	0.0	5.2	1.0	16.3	-6.8	
% Chg Same Month Last Year	1.5	2.0	2.5	2.8	2.8	2.5	2.5	2.8	2.5	2.7	2.4	3.5	2.8	
US Nonag Employment (mil)	130.4	130.5	130.8	131.1	131.4	131.5	131.6	131.8	131.9	132.2	132.3	132.4	132.6	
% Chg Previous Month SAAR	1.1	0.9	3.0	3.1	2.3	1.0	0.8	1.7	1.2	2.6	1.2	1.4	1.2	
% Chg Same Month Last Year	0.1	0.3	0.7	1.0	1.2	1.3	1.3	1.5	1.5	1.6	1.6	1.7	1.7	
US Unemployment Rate (%)	5.7	5.6	5.7	5.5	5.6	5.6	5.5	5.4	5.4	5.5	5.4	5.4	5.2	
US Initial Claims for UI (000s)	355.3	355.5	340.4	343.6	341.3	336.0	343.6	342.4	349.1	341.6	336.6	331.2	331.4	
% Chg Previous Month SAAR	-21.4	0.7	-40.6	11.9	-7.7	-17.1	30.8	-4.1	26.2	-22.9	-16.2	-17.6	0.7	
% Chg Same Month Last Year	-10.1	-13.4	-19.0	-21.0	-19.4	-19.8	-14.0	-14.5	-12.6	-10.6	-8.7	-8.6	-6.7	
US Industrial Production Index	113.2	114.4	114.1	114.7	115.5	115.1	115.9	116.0	115.7	116.6	116.9	117.9	118.0	
% Chg Previous Month SAAR	3.6	13.5	-3.3	6.8	8.7	-4.2	8.8	1.1	-3.3	10.1	3.1	9.7	1.4	
% Chg Same Month Last Year	2.1	3.1	3.2	4.7	5.4	4.7	4.8	5.0	3.9	4.6	3.8	4.4	4.2	
US Personal Inc. Less Trans. (bil 92\$)	7,537.5	7,549.0	7,558.0	7,596.9	7,614.5	7,612.0	7,667.1	7,676.2	7,666.1	7,720.3	7,730.2	8,058.2	7,812.3	
% Chg Previous Month SAAR	-2.1	1.8	1.4	6.4	2.8	-0.4	9.0	1.4	-1.6	8.8	1.5	64.7	-31.1	
% Chg Same Month Last Year	3.1	3.1	3.2	3.4	3.0	2.7	3.2	3.2	2.9	3.1	2.5	6.7	3.6	
CPI, All Urban (1982-84=100)	185.9	186.5	187.3	187.7	188.8	189.3	189.2	189.3	189.6	190.7	191.2	191.2	191.3	
% Chg Previous Month SAAR	6.0	3.9	5.3	2.6	7.3	3.2	-0.6	0.6	1.9	7.2	3.2	0.0	0.6	
% Chg Same Month Last Year	2.0	1.7	1.7	2.3	3.0	3.2	2.9	2.7	2.5	3.2	3.6	3.4	2.9	
US Retail Sales (bil 84\$)	324.2	326.9	333.8	331.1	335.9	333.5	336.9	336.1	341.5	345.0	344.9	349.3	350.4	
% Chg Previous Month SAAR	13.0	10.3	28.7	-9.2	18.8	-8.2	12.9	-3.1	21.1	13.3	-0.5	16.6	3.7	
% Chg Same Month Last Year	6.4	8.5	8.6	7.5	9.3	6.8	6.9	4.7	7.7	8.8	7.1	8.8	8.1	
Manufacturing & Trade Sales (000s)	894.4	898.8	921.9	916.1	916.9	920.2	925.4	928.7	930.5	931.8	933.5	945.6	*944.7	
% Chg Previous Month SAAR	-1.0	6.1	35.6	-7.4	1.1	4.4	7.0	4.4	2.3	1.6	2.3	16.7	-1.2	
% Chg Same Month Last Year	4.7	7.2	8.8	8.0	7.5	6.4	5.5	6.4	5.9	5.5	5.1	5.6	5.6	
US Consumer Expectations (1966=100)	100.1	88.5	88.8	87.3	81.6	88.5	91.2	88.2	88.0	83.8	85.2	90.9	85.7	
% Chg Previous Month AR	268.0	-77.2	4.1	-18.5	-55.5	164.9	43.4	-33.1	-2.7	-44.4	22.0	117.5	-50.7	
% Chg Same Month Last Year	37.5	26.6	27.6	10.1	-10.7	2.4	9.0	6.9	8.9	1.0	-3.3	1.2	-14.4	
Ave. Prime Interest Rate (%; NSA)	4.00	4.00	4.00	4.00	4.00	4.00	4.25	4.42	4.58	4.75	4.93	5.14	5.25	

\* ARIMA estimation